SEC12

Consolidated Financial Statements of

KIK INTERACTIVE INC.

Year ended June 30, 2017
(Expressed in US Dollars)

EXHIBIT
27
19-cv-5244-AKH

EXHIBIT

KPMG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kik Interactive Inc. as at June 30, 2017, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

December 12, 2017
Waterloo, Canada

KIK INTERACTIVE INC.

Consolidated Statements of Operations and Comprehensive Loss

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Revenue	$ 1,490,990	$ 2,237,548
Cost of revenue (note 7)	(1,104,937)	613,886
Gross profit	2,595,927	1,623,662
Expenses:		
Salaries and benefits	13,427,728	10,141,354
Server costs	7,982,526	7,644,580
Technical operations	2,006,952	2,909,123
Professional fees	2,328,077	2,608,383
Office, general and other	2,617,751	2,533,912
Contract labour and consulting services	994,263	1,583,852
Travel, meals and entertainment	1,222,463	1,263,586
Marketing and user analysis	1,743,259	541,757
Total expenses	32,323,019	29,226,547
Loss before the undernoted items	(29,727,092)	(27,602,885)
Other income (expenses):		
Investment tax credits (note 11)	-	880,131
Interest income	97,946	119,719
Depreciation and amortization	(1,435,497)	(285,170)
Bad debt expense	(53,298)	(246,355)
Foreign exchange loss	(265,438)	(636,944)
Stock-based compensation expense (note 9)	(1,504,165)	(1,185,031)
	(3,160,452)	(1,353,650)
Loss before income taxes	(32,887,544)	(28,956,535)
Income tax recovery (note 13)	16,000,000	-
Loss for the year being comprehensive loss	$ (16,887,544)	$ (28,956,535)

See accompanying notes to consolidated financial statements.

KIK INTERACTIVE INC.

Consolidated Statements of Cash Flows

Year ended June 30, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Loss for the year	$ (16,887,544)	$ (28,956,535)
Items not involving cash:		
Depreciation and amortization	1,435,497	285,170
Stock-based compensation	1,504,165	1,185,031
Change in provisions	(1,791,275)	1,330,366
Future income taxes	(16,000,000)	-
Other non-cash items	(666)	(147,679)
	(31,739,823)	(26,303,647)
Change in non-cash operating working capital:		
Restricted cash	(220,532)	(17,197)
Accounts receivable	713,822	(127,864)
Other receivable	(294,783)	359,240
Investment tax credits recoverable	2,088	133,011
Prepaid expenses and other assets	10,548	(116,778)
Accounts payable and accrued liabilities	(855,401)	(207,149)
Deferred revenue	38,972	1,588,911
Cash used in operations	(32,345,109)	(24,691,473)
Financing:		
Proceeds on issuance of share capital, net of transaction costs (note 8)	-	48,222,720
Proceeds from SAFT liability (note 6)	11,499,927	-
Proceeds from exercise of stock options (note 8)	4,500	15,750
Cash provided by financing activities	11,504,427	48,238,470
Investing:		
Additions to equipment and leasehold improvements (note 4)	(35,780)	(203,263)
Additions to intangible assets (note 5)	-	(10,102)
Acquisition of Blynk, net of cash acquired	-	(305,937)
Settlement of Blynk contingent consideration (note 8)	(32,663)	
Cash used in investing activities	(68,443)	(519,302)
Increase (decrease) in cash and cash equivalents	(20,909,125)	23,027,695
Cash and cash equivalents, beginning of year	41,592,731	18,565,036
Cash and cash equivalents, end of year	$ 20,683,606	$ 41,592,731

See accompanying notes to consolidated financial statements.

1. **Basis of presentation (continued):**

   (c) Use of estimates and judgments (continued):

   (iii) The Company makes estimates and utilizes assumptions in determining the fair value for share based payments. The fair value of options granted are determined using the Black-Scholes Merton option pricing model. The key assumptions used are the expected term of the option, the applicable risk-free interest rate, the expected volatility of the share price, as well as the fair value of the share price at the grant date. The expected term and volatility are determined using historical data from comparable companies. The share price is determined using recent equity transactions for the Company, with adjustments made for differences in characteristics of the instruments issued, liquidity, and other items. The risk-free interest rate is determined using the United States Treasury rate for a similar period to the expected term of the option.

   (iv) The Company makes estimates in determining the recoverable amount of investment tax credits for which the Company is eligible. Such amounts are subject to audit by relevant tax authorities and, accordingly, actual amounts received may differ from amounts recorded as recoverable.

   (v) The Company make estimates in determining the likelihood of the achievement of a contingent event occurring subsequent to the acquisition of a subsidiary as part of the contingent consideration. Estimates are based on management's understanding of the business environment and historical experiences.

   (vi) The Company recognizes identifiable assets acquired and liabilities assumed at fair value when accounting for business combinations. The determination of fair value requires management to make estimates around the value an independent third party, under no compulsion to act, would pay for an asset acquired or liability assumed on a standalone basis. The fair value of acquired intangible assets is generally determined using discounted cash flow models and involves the use of cash flow forecasts, market based discount rates and market-based discount rates.

2. **Significant accounting policies:**

   The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and by all Company entities.

   (a) Basis of consolidation:

   The consolidated financial statements include the accounts of Kik Interactive Inc., and its wholly owned subsidiaries Kik US Inc., Endemic Mobile Inc., Clik Interactive Inc., Snowball Labs Inc., Blynk and Kik Interactive Israel Ltd. for the period from December 16, 2016 (date of acquisition) to June 30, 2017.

KIK INTERACTIVE INC.

Notes to Consolidated Financial Statements, continued

Year ended June 30, 2017

2. Significant accounting policies (continued):

(c) Foreign currency translation:

IFRS requires that the functional currency of the Company be determined in accordance with specific indicators and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). As a result of an assessment of the primary indicators, the functional currency of the Company and each of its subsidiaries is the US dollar. The financial statements of the Company are prepared and presented using the US dollar.

Foreign currency transactions denominated in other than US dollars are translated into the functional currency on the following basis:

(i) Monetary assets and liabilities are translated at the rates of exchange prevailing at the statement of financial position date.

(ii) Non-monetary items that are measured at historical cost are translated using the exchange rate at the date of the transaction.

(iii) Income and expenses for each income statement presented are translated at average exchange rates during the month in which they are recognized.

Exchange differences resulting from the settlement of foreign currency transactions are recognized directly in the statements of comprehensive income in the period in which they were incurred unless hedge accounting applies.

(d) Financial instruments:

(i) Financial assets:

The Company initially recognizes accounts and other receivables on the date that they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the assets expire, or it transfers the rights to receive the contractual cash flows on the financial assets in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

2. Significant accounting policies (continued):

(d) Financial instruments (continued):

(ii) Financial liabilities:

The Company has classified accounts payable and accrued liabilities as financial liabilities. Such liabilities are recognized initially at fair value plus any directly attributable transaction costs on the date that they are originated. Subsequent to initial recognition, when material, these financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the contractual obligations are discharged, cancelled or expired.

Compound financial instruments:

The financial liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, representing the holders' option to convert into common shares, is recognized as the difference between the proceeds received or receivable from issuance of the instrument and the amount determined to represent the liability components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is included within contributed surplus and is not re-measured subsequent to initial recognition.

Interest, and any gains and losses relating to the financial liability, are recognized in profit or loss.

(e) Impairment of financial assets:

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Company recognizes an impairment loss on the financial asset, which is carried at amortized cost. The loss is determined as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the financial asset's original effective interest rate. The carrying value of the asset is reduced by this amount indirectly through the use of an allowance account. Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

2. Significant accounting policies (continued):

(h) Goodwill (continued):

Goodwill is tested for impairment at least annually and upon the occurrence of an indication of impairment.

An impairment loss in respect of goodwill is never subsequently reversed. The Company completed its annual impairment test at June 30, 2017.

(i) Impairment of non-financial assets:

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Impairment is determined by assessing the recoverable amount of the assets or cash-generating unit ("CGU") to which the asset relates. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or CGU is the greater of net selling price (fair value less cost to sell) and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Where the recoverable amount of the CGU is less than the carrying amount of the CGU or related assets, an impairment loss is recognized. Impairment losses are recognized in net income. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amount of the non-financial assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Where intangible assets have been allocated to CGUs, and part of the operation within those units is disposed of, the intangible assets associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Intangible assets disposed of in such cases are measured based on the relative values of the operation disposed of and the portion of the CGUs retained.

2. Significant accounting policies (continued):

(l) Provisions:

Provisions are recorded when a present legal or constructive obligation exists as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(m) Income taxes:

Income tax expense comprises current tax and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income, except to the extent that it relates to items recognized directly in equity.

Current income tax is the tax expected to be payable on the taxable profit for the period, using tax rates enacted or substantively enacted by the reporting date.

Deferred income tax is recognized on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilized. Deferred income tax is calculated using the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and laws enacted, or substantively enacted, by the reporting date.

Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that there is a change in the assessment of the probability that the related tax benefit will or will not be realized.

2. Significant accounting policies (continued):

(n) New accounting pronouncements (continued):

IFRS 9 *Financial Instruments*

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)).

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018, and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. This new standard does not fundamentally change the types of hedging relationships or the requirement to measure and recognize ineffectiveness, however it will provide more hedging strategies that are used for risk management to qualify for hedge accounting and introduce more judgment to assess the effectiveness of a hedging relationship.

Special transitional requirements have been set for the application of the new general hedging model.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

KIK INTERACTIVE INC.

Notes to Consolidated Financial Statements, continued

Year ended June 30, 2017

3. Accounts receivable:

	2017	2016
Accounts receivable	$ 210,628	$ 902,909
Allowance for doubtful accounts	(139,054)	(117,513)
Total	$ 71,574	$ 785,396

4. Equipment and leasehold improvements:

Asset	Balance at July 1, 2015	Additions	Balance at June 30, 2016	Additions	Balance at June 30, 2017
Computer hardware and software	$ 440,450	$ 44,703	$ 485,153	$ 74,411	$ 559,564
Furniture and fixtures	257,959	46,147	304,106	27,818	331,924
Equipment and telephone hardware	98,803	97,103	195,906	8,426	204,332
Leasehold improvements	204,354	15,310	219,664	210,500	430,164
Total	$ 1,001,566	$ 203,263	$ 1,204,829	$ 321,155	$1,525,984

Accumulated depreciation	Balance at July 1, 2015	Depreciation	Balance at June 30, 2016	Depreciation	Balance at June 30, 2017
Computer hardware and software	$ 213,751	$ 73,819	$ 287,570	$ 68,856	$ 356,426
Furniture and fixtures	78,326	50,372	128,698	53,312	182,010
Equipment and telephone hardware	55,112	28,978	84,090	36,208	120,298
Leasehold improvements	75,570	27,053	102,623	43,177	145,800
Total	$ 422,759	$ 180,222	$ 602,981	$ 201,553	$ 804,534

Carrying amounts	2017	2016
Computer hardware and software	$ 203,138	$ 197,583
Furniture and fixtures	149,914	175,408
Equipment and telephone hardware	84,034	111,816
Leasehold improvements	284,364	117,041
Total	$ 721,450	$ 601,848

5. Goodwill and intangible assets (continued):

The Company has determined it operates one cash-generating unit, being its messaging platform, due to the fact that the Company maintains shared development teams, central administration and management, and that the Kik messaging platform is central to the activities of the business. At June 30, 2017, the Company conducted an impairment test using a fair value less cost of disposal model. The fair value of the cash-generating unit was determined with reference to the implicit fair value of the Company's equity based on recent equity transactions entered into by the Company. Significant assumptions are comprised of the composition of an index group of companies, the volatility of the market capitalization of the index group of companies, a discount for lack of marketability of the Company's equity, and the period over which the volatility of the index is measured. These assumptions are based on external sources of data and as a result fall within level 2 of the fair value hierarchy.

Management believes that any reasonable possible change in the key assumptions on which the recoverable amounts are based would not cause the CGU's carrying amount to exceed its recoverable amount.

6. SAFT liability:

During the year, the Company entered into a Simplified Agreement for Future Tokens ("SAFT"), under which funding was received from accredited investors and employees of the Company for the future right to acquire units of Kin tokens, to be developed, produced and offered by the Company. As at June 30, 2017, $11,499,927 in proceeds had been received by the Company in connection with the SAFT.

Under the terms of the SAFT, the Company was required to raise minimum net proceeds of $25,000,000 by June 15, 2017. If such proceeds were not raised by this date, the agreement would be considered terminated and funds raised were to be returned to the holders of the SAFTs. Subsequent to year-end, the Company had complied with this condition of the SAFT agreements (see note 19).

The terms of the SAFT provide for the SAFT to convert into units of Kin at a discount of 30% to the price paid for a unit of Kin in connection with a public sale of such tokens. One half of such Kin tokens are to be delivered by the Company to the holders of the SAFTs upon the completion of the public token sale, with the remaining half to be issued on the one year anniversary of this date.

Under the terms of the SAFT, should the Company not complete a public sale prior to September 30, 2017, the Company would be required to repay 70% of the proceeds received under the SAFT distribution. The public token sale was completed on September 26, 2017.

The proceeds will be used by the Company to achieve the minimum viable product and subsequently to build-out a semi-centralized blockchain-based computer network that enables economic transactions and a reward system for digital service providers as well as to develop an application to make the network accessible via the Company's messaging platform.

8. Share capital:

	2017	2016
Authorized:		
Unlimited number of common shares		
4,000,000 Class A preferred shares		
585,529 Class A-1 preferred shares		
1,779,990 Class B preferred shares		
1,651,481 Class C preferred shares		
1,178,045 Class D preferred shares		
Issued and outstanding:		
12,065,486 common shares (2016 - 11,851,926)	$ 2,870,233	$ 864,010
3,699,900 Class A preferred shares (2016 - 3,350,317)	8,976,372	8,521,402
585,529 Class A-1 preferred shares (2016 - nil)	14,024,289	-
1,779,990 Class B preferred shares (2016 - 1,779,990)	21,342,969	21,342,969
1,651,481 Class C preferred shares (2016 - 1,651,481)	39,180,968	39,180,968
1,178,045 Class D preferred shares (2016 - 1,178,045)	48,222,720	48,222,720
	$ 134,617,551	$ 118,132,069

During the year, the Company issued 750 (2016 - 2,625) common shares in respect of stock options for total proceeds of $4,500 (2016 - $15,750). Previously recognized related stock compensation expense of $1,916 (2016 - $6,705) was transferred from contributed surplus to share capital as a result.

In connection with the acquisition of Rounds Entertainment Ltd. ("Rounds") (note 17), 102,468 common shares valued at $957,051 and 585,529 class A-1 preferred shares valued at $14,024,289 were issued to former shareholders of Rounds. Subsequent to the transaction, 82,950 common shares valued at $774,753 were issued to former shareholders of Rounds from the completion of contingent consideration milestones.

In addition, 292,765 Class A-1 preferred shares valued at $7,011,722 were to be issued to the former shareholders of Rounds for the completion of contingent consideration milestones. As at June 30, 2017, the contingent milestones have been achieved but the shares have not been issued. As a result, this balance has been classified as contributed surplus within equity.

During the year 14,640 common shares valued at $191,491 were issued to former shareholders of Blynk, for acheiving the second and third contingent consideration milestones relating to the purchase of Blynk. Previously recognized stock compensation expense of $142,747 was transferred from contributed surplus to share capital as a result. As of June 30, 2017 there is one milestone that has yet to be achieved for a maximum issuance of 7,986 common shares.

KIK INTERACTIVE INC.

Notes to Consolidated Financial Statements, continued

Year ended June 30, 2017

9. Stock-based compensation:

The Company maintains an employee stock option plan (the "Plan") for the purpose of attracting and retaining key personnel. The Company has reserved 4,609,857 shares to make available to employees by virtue of stock option grants. The exercise price of each option is based on the fair value of the Company's stock on the date of the grant. Stock options have a maximum term of up to ten years from date of grant. The option vesting period ranges between two months and four years.

A summary of the Plan's activity is as follows:

	2017		2016	
	Number of options outstanding	Weighted average exercise price	Number of options outstanding	Weighted average exercise price
Outstanding, beginning of year	2,922,665	$ 3.00	2,928,140	$ 2.39
Options granted	473,545	10.17	159,600	15.00
Options forfeited	(238,321)	10.85	(162,450)	3.70
Options exercised	(750)	6.00	(2,625)	6.00
Outstanding, end of year	3,157,139	$ 3.48	2,922,665	$ 3.00

	Options outstanding			Options exercisable		
	Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number of options outstanding	Weighted average exercise price	Weighted average remaining contractual life
$0.20	1,221,885	$ 0.20	3.1	1,221,885	$ 0.20	3.1
$1.30	488,289	1.30	4.5	488,289	1.30	4.5
$3.00	357,471	3.00	5.3	351,366	3.00	5.3
$6.00	493,353	6.00	7.6	369,554	6.00	7.8
$15.00	265,289	15.00	9.0	48,243	15.00	8.9
$10.00	330,852	10.00	9.7	86,008	10.00	9.2
	3,157,139	$ 3.86	5.5	2,565,345	$ 2.24	4.7

The fair value of the options granted are determined using the Black-Scholes Merton option pricing model. Expected volatility has been based on an evaluation of the historical volatility of guideline public companies and company-specific factors. The expected term of the instruments has been based on historical experience and general option holder behaviour. The weighted average fair value of options granted in 2017 and 2016 have been calculated based on the following assumptions:

10. Commitments and contingencies:

The Company rents its premises under an operating lease and is committed to a hosting services agreement. Future minimum commitments in respect of these agreements are as follows:

2018	$ 1,864,343
2019	508,838
2020	411,840
2021	77,500
Thereafter	-
Total	$ 2,862,521

During the year ended June 30, 2017, an amount of $618,058 (2016 - $518,884) was recognized in the consolidated statement of operations in respect of operating leases.

As at June 30, 2017, the Company has letters of credit in the amount of $123,296 (2016 - $80,000) for office leases and $136,000 (2016 - $136,000) for its Automated Clearing House ("ACH") vendor payments.

11. Investment tax credit:

The company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The nature and quantum of such credits is dependent on the Company falling below certain criteria related to the Company's taxable capital, among other things. For fiscal 2017, the Company's taxable capital exceeded the criteria set forth in the Income Tax Act, and accordingly the Company was no longer eligible for enhanced refundable tax credits. Non-refundable investment tax credits can be applied against income tax liabilities and are subject to a 20 year carry-forward period. The Company accrues investment tax credits when qualifying expenditures have been made, provided there is a reasonable assurance that the credits will be realized. Accrued investment tax credits are accounted for as other income in the consolidated statement of comprehensive loss or a reduction of the related assets cost for items capitalized in the statement of financial position.

12. Research and development:

During the year, the Company incurred expenditures totaling $4,431,082 (2016 - $5,309,693) relating to research and development.

13. Income taxes (continued):

There are no aggregate taxable temporary differences associated with the Company's investments in its subsidiaries for which deferred tax liabilities have not been recognized.

In accessing the recognition of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income and the reversal of future taxable temporary differences. Management considers the scheduled reversal of taxable temporary differences, projected future taxable income, and tax planning strategies in determining if deferred tax assets are more likely than not to be realized. The amount of the deferred tax asset considered realizable could change materially in the near term based on future taxable income that may arise before tax losses and scientific research and experimental development tax credits expire.

As at June 30, 2017, the Company has the following non-capital losses and scientific research and experimental development tax credits available to reduce future years' income for tax purposes:

Year of expiry	Unrecognized tax losses	Unrecognized SR&ED credits
2028	$ 6,743	$ 332
2029	535,050	13,768
2030	2,245,343	37,831
2031	2,795,343	69,804
2032	4,002,557	2,382
2033	8,219,884	7,254
2034	1,736,789	46,954
2035	10,042,026	208,329
2036	22,379,022	123,606
2037	29,426,146	187,812
Indefinite	2,805,841	-
	$ 84,194,765	$ 698,072

In the normal course of operations, the Company's scientific research and experimental tax credit claims are subject to reviews by federal and provincial government authorities. Reviews of certain of the Company's scientific research and experimental development tax credit claims are incomplete at June 30, 2017, and as such, amounts disclosed may be subject to change, pending the outcome of such reviews.

16. Financial instruments and financial risk management:

(a) Fair value:

The fair value of the Company's financial instruments measured at fair value has been segregated into three levels. (1) Fair value of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. (2) Fair value of assets included in Level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. (3) Fair value of assets and liabilities included in Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company has no significant financial instruments measured at fair value included in Levels 1, 2 or 3.

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the relatively short periods to maturity of the instruments.

(b) Financial risk management:

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including foreign exchange risk) and credit risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the finance department under the guidance of the Board of Directors. This department identifies and evaluates financial risks in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated.

(c) Foreign exchange risk:

The Company is exposed to foreign exchange risk primarily in the following ways:

(i) Cash flow – A significant portion of the Company's expenses are denominated in Canadian dollars; however, the Company has significant cash holdings that are denominated in US dollars and is, therefore, able to manage foreign currency risk with a natural hedge. A 1% strengthening of the Canadian dollar against the US dollar for the year ended June 30, 2017, would have decreased net income, if unhedged, by approximately $56,835. A 1% weakening of the Canadian dollar against the US dollar at those dates would have had the equal but opposite effect, on the basis that all other variables remain constant. Changes in the Canadian dollar vis-a-vis the US dollar would not have a significant impact on equity.

KIK INTERACTIVE INC.

Notes to Consolidated Financial Statements, continued

Year ended June 30, 2017

16. Financial instruments and financial risk management (continued):

(d) Credit risk (continued):

	2017		2016	
	Gross	Allowance	Gross	Allowance
Not past due	$ 15,698	$ -	$ 315,631	$ -
Past due 0-30 days	15,034	-	181,298	-
Past due 31-60 days	-	-	113,432	-
Past due 61-90 days	725	-	51,580	-
Past due more than 90 days	179,171	(139,053)	240,968	(117,513)
Total	$ 210,628	$ (139,053)	$ 902,909	$ (117,513)

The carrying amount of the financial assets representing the maximum exposure to credit risk at the reporting date was:

	Carrying Amount	
	2017	2016
Cash and cash equivalents	$ 20,683,606	$ 41,592,731
Restricted cash	613,729	393,197
Accounts receivable	71,574	785,396
Other receivable	398,149	103,366
Investment tax credits recoverable	1,036,779	1,038,867
Total	$ 22,803,837	$ 43,913,557

The maximum exposure to credit risk for accounts receivable, other receivable and investment tax credits recoverable at the reporting date by geographic region was:

	Carrying Amount	
	2017	2016
Canada	$ 1,434,928	$ 1,142,233
United States	71,574	785,395
Total	$ 1,506,502	$ 1,927,628

KIK INTERACTIVE INC.

Notes to Consolidated Financial Statements, continued

Year ended June 30, 2017

19. Subsequent events:

Subsequent to year-end, the Company entered into additional SAFT agreements in which proceeds totaled $34,985,810.

On September 26, 2017, the Company completed a public sale of Kin tokens under which total consideration received was 168,732 units of Ethereum/digital currency ("ETH") (equivalent value of USD 48,763,657). The price of ETH was fixed at 1 ETH = USD 289. As a result, the SAFT were converted into Kin tokens.

As of November 30, 2017, ETH has been exchanged for $34,007,436, with 53,600 ETH still held. The non-liquidated ETH value as at November 30, 2017 is $24,685,480 (price per unit of 460.55 USD based on market rates in effect as at this date).

As of December 1, 2017, the Company amended its articles of incorporation to increase the number of authorized Class A-1 preferred shares from 585,529 shares to 878,294 shares. Subsequently, the Company issued the 292,765 Class A-1 preferred shares to the former shareholders of Rounds.